

Message Text

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ACTION EB-08

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 3387

C O N F I D E N T I A L ROME 4328

E.O. 11652: GDS

TAGS: EAIR, IT

SUBJECT: US-ITALY CIVAIR CONSULTATIONS

REF: STATE 56362

1. SUMMARY: DURING CONSULTATIONS MARCH 14-15, ITALDEL SOUGHT REDUCTIONS IN TWA'S US-ITALY SERVICES AND IN OPERATIONS BEYOND ROME BY TWA AND PANAM WHICH WOULD HAVE SIGNIFICANTLY REDUCED U.S. AIRLINE CAPACITY CLOSE TO ALITALIA'S LEVEL. USDEL SAID THAT U.S. WAS UNALTERABLY OPPOSED TO STATED ITALIAN OBJECTIVE OF A MARKET SHARE BETWEEN U.S. AND ITALIAN AIRLINES. U.S. AIRLINE CAPACITY FOR UPCOMING SUMMER SEASON HAD ALREADY BEEN ADJUSTED TO MARKET DEMAND AND WE SAW NO NEED FOR FURTHER ADJUSTMENTS (EXCEPT FOR MINOR CHANGE INVOLVING PANAM). WE ALSO NOTED THAT CONTINUED ITALIAN REFUSAL ALLOW USE OF 747-F, CHANGE OF GAUGE, AND ONE-WAY FLIGHTS MADE IT DIFFICULT ATTEMPT ACCOMMODATE ITALIAN CONCERNS. STANDARD MEMCON SIGNED NOTING DISAGREEMENT. ITALIAN CHAIRMAN READ CLOSING STATEMENT SAYING GOI MAY BE OBLIGED REVIEW ITS POSITION, BUT IT NOT CLEAR WHETHER THIS PORTENDS DENUNCIATION OF AGREEMENT OR WAS SOP TO ALITALIA WHICH VISIBLY UNHAPPY WITH ITS OWN GOVERNMENT. END SUMMARY.

1. AFTER SOME EXCHANGE OF STATISTICS (WHICH PREDICTABLY
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SHOWED VARIANCES BETWEEN U.S. AND ITALIAN DATA), ITALDEL SAID IT FELT FOLLOWING REDUCTIONS IN TWA'S US-ITALY CAPACITY WERE REQUIRED: REDUCE 9 NEW YORK - MILAN FLIGHTS TO 7 (ALL OF WHICH HOWEVER COULD BE 747'S); CANCEL DAILY 707 NEW YORK-ROME; AND REDUCE BOSTON-ROME FLIGHTS FROM 9 TO 5. PANAM NEW YORK-ROME COMBINATION CAPACITY WAS ACCEPTABLE. NO QUESTIONS WERE RAISED RE ALL-CARGO FLIGHTS, EXCEPT PANAM'S USE OF 747-F

AND OPERATION OF THIS FLIGHT IN ONE DIRECTION ONLY, WHICH ITALDEL SAID IT WOULD NOT APPROVE. ON SERVICES BEYOND ROME, ITALDEL PROPOSED PANAM HAVE TRAFFIC RIGHTS ON ONLY 2 FLIGHTS TO ISTANBUL AND 2 TO TEHRAN USING 747'S OR 3 EACH USING 707'S, AND THAT TWA HAVE TRAFFIC RIGHTS ON ONLY 5 FLIGHTS TO ATHENS, 3 TO TEL AVIV, AND 3 TO CAIRO.

2. USDEL REPLIED THAT STATED ITALIAN OBJECTIVE OF ACHIEVING 50-50 MARKET SHARE WAS COMPLETELY UNACCEPTABLE TO U.S. IN AVIATION AS IN OTHER AREAS OF INTERNATIONAL ECONOMIC ACTIVITY AND THAT USG WAS NOT PREPARED FOREGO RIGHTS TO OPERATE BEYOND ROME BECAUSE SUCH RIGHTS WERE ESSENTIAL TO US INTERNATIONAL AIRLINE ROUTE STRUCTURE. ITALIAN PROPOSALS WOULD REDUCE U.S. AIRLINE CAPACITY BETWEEN U.S. AND ITALY BY 24 PERCENT FROM LAST SUMMER AND GIVE ALITALIA MORE NON-STOP SEATS THAN PANAM AND TWA COMBINED. ITS PROPOSED REDUCTIONS ON BEYOND FLIGHTS WOULD CUT THESE U.S. SERVICES BY MORE THAN HALF AND CAME CLOSE TO CANCELLING ALL U.S. BEYOND RIGHTS.

3. WE SAID ONLY RELEVANT QUESTION WAS WHETHER U.S. CAPACITY THIS SUMMER WAS APPROPRIATELY RELATED TO DEMAND AND TO MARKET CONDITIONS. LAST SUMMER, TWA HAD EXPERIENCED HIGH LOAD FACTORS ON ITS NON-STOP SERVICES AND FAIRLY LOW LOAD FACTORS ON ITS SERVICES VIA PARIS AND GENEVA. TWA HAD RESPONDED BY INCREASING ITS NON-STOP CAPACITY AND DECREASING MULTI-STOP CAPACITY, FOR AN OVERALL DECREASE. WE FELT THAT THIS WAS A FULLY APPROPRIATE APPROACH AND, THEREFORE, COULD NOT AGREE THAT ANY FURTHER CHANGES WERE NECESSARY. REGARDING BEYOND FLIGHTS, TWA WAS REDUCING CAPACITY IT HAD OPERATED

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FOR MANY YEARS. HOWEVER, PANAM WAS PREPARED TO ALTER ITS SCHEDULES TO PROVIDE, EFFECTIVE APRIL 24, FOR DAILY SERVICE WITH 707'S BEYOND ROME TO ISTANBUL AND TEHRAN. EQUIPMENT WOULD BE CHANGED TO 747'S EFFECTIVE JUNE 8, BUT USG HAD PREVAILLED ON PANAM TO REDUCE AT THAT TIME TO 6 BEYOND FLIGHTS. FYI. PANAM INTENDS OPERATE IN THIS MANNER IN ANY EVENT, BUT WE FELT IT ADVISABLE TO PRESENT IT AS A CONCESSION, ALBEIT MINOR. END FYI.

4. AFTER BRIEF EXPRESSION OF REGRET BY ITALDEL THAT US HAD NOT MOVED, ITALIAN CHAIRMAN PROPOSED SIGNING STANDARD MEMCON SIMPLY NOTING DISAGREEMENT. THIS CAUSED HEATED EXCHANGE BETWEEN ALITALIA REP (LECCESE) AND AMBASSADOR FARACE AND LED TO REQUEST FOR POSTPONEMENT OF SIGNING MEMCON, OBVIOUSLY TO GIVE ITALIANS TIME TO SORT OUT THEIR DIFFERENCES. WHEN MEETING RESUMED, STANDARD MEMCON WAS SIGNED WITHOUT FURTHER ADO. HOWEVER, FARACE THEN READ STATEMENT (SEPTEL, BURDEN OF WHICH WAS THAT, BECAUSE US HAD NOT BEEN RESPONSIVE TO ITALIAN CONCERNS, GOI MAY BE OBLIGED REVIEW ITS POSITION. PRIVATELY,

FARACE TOLD U.S. CHAIRMAN THAT HE AND CIVILAVIA WERE AGREED THAT TERMS OF MEMORANDUM OF UNDERSTANDING SHOULD BE HONORED (I.E. ITALY WOULD NOT ACT UNILATERALLY AGAINST US AIRLINE CAPACITY) BUT MATTER MIGHT HAVE TO BE REVIEWED AT MINISTERIAL LEVEL IN VIEW ALITALIA'S OBJECTIONS AND THAT DENUNCIATION WAS A POSSIBILITY. USDEL RESPONDED TO FORMAL STATEMENT INDICATING THAT, WHILE U.S. HAD SO FAR REFRAINED FROM PRESSING INTERPRETATIVE ISSUES TO POINT OF CONFRONTATION, MATTER WAS BECOMING INCREASINGLY SERIOUS. IN PARTICULAR, REFUSAL TO ACCEPT 747-F MEANT THAT PANAM WOULD NOW BE EXCLUDED ENTIRELY FROM ALL-CARGO OPERATIONS BECAUSE IT HAD NO OTHER EQUIPMENT AVAILABLE. USG MIGHT, THEREFORE, ALSO HAVE TO REVIEW ITS POSITION. WE SPECIFICALLY DREW ATTENTION TO PARA 5(B) OF MOU WHICH PROVIDES THAT PLANNED SCHEDULES MAY OPERATE DESPITE DISAGREEMENT. THIS WAS NOT DISPUTED BY ITALDEL. HOWEVER, ONLY TIME WILL TELL WHETHER GOI INTENDS ABIDE BY TERMS OF MOU.

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5. DURING TALKS, WE ASKED FOR EVIDENCE THAT ALITALIA IS NOW PAYING LANDING FEES AND WERE PROMISED FORMAL REPLY WITHIN A FEW DAYS. USDEL DID NOT RAISE OTHER POINTS SUGGESTED BY DOT IN STATE 563632 ON GOUNDS WE SAW NO POINT IN MAKING A BAD SOCIETA AEROPORTI DI ROME (SAR) NEEDS TO BE MORE FULLY DEVELOPED BEFORE RAISED WITH ITALY.

6. EMBASSY RECEIVED LONG-AWAITED MFA NOTE (IN REPLY TO EMBASSY'S NOTE OF MAY 21, 1976, ON DISCRIMINATION AT ROME AIRPORTS) WHICH STATED THAT REGIONAL ADMINISTRATIVE TRIBUNAL HAD RULED IN FAVOR OF SAR ON FEBRUARY 28 (TEXT BEING SENT SEPTTEL). EMBASSY ALSO RECEIVED FROM SAR MANAGING DIRECTOR A COPY OF TRIBUNAL'S FINAL RULING (SENTENZA) WHICH STYLES HANDCARRYING TO WASHINGTON.BEAUDRY

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Message Attributes

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Control Number: n/a
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Sent Date: 16-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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